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**SECURITIES AND EXCHANGE COMMISSION**

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Company Information

SEC Registration No. AS94004462  
Company Name GLOBAL-ESTATE RESORTS, INC.  
Industry Classification  
Company Type Stock Corporation

**Document Information**

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# COVER SHEET

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S.E.C. Registration Number

G L O B A L - E S T A T E R E S O R T S I N C .

(Company's Full Name)

1 6 F A L L I A N C E G L O B A L T O W E R  
3 6 T H S T C O R N E R 1 1 T H A V E N U E  
U P T O W N B O N I F A C I O T A G U I G C I T Y

(Business Address: No. Street City/ Town/ Province)

LAILANI V. VILLANUEVA

Contact Person

(632) 328-4370 to 78

Company Telephone Number

1 2

Month

Calendar Year

3 1

Day

SEC FORM 17-Q

(for the quarter ended 30 September 2017)

FORM TYPE

0 6

Month

annual meeting

3 0

Day

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/ Section

Total Amount of Borrowings

Domestic

Foreign

\*\*\*\*\*

To be accomplished by SEC Personnel concerned

File Number

LCU

Dociment I.D.

Cashier

STAMPS

SEC Number **AS094004462**

File Number \_\_\_\_\_

**GLOBAL-ESTATE RESORTS, INC.**

(Company's Full Name)

**16/F Alliance Global Tower, 36<sup>th</sup> St. cor. 11<sup>th</sup> Ave. Uptown Bonifacio, Taguig City**

(Company's Address)

**(632) 328-4370 to 78**

(Tel. No.)

**December 31, 2017**

(Calendar Year Ending)

**SEC FORM 17-Q (3rd QUARTER)**

(Form Type)

**September 30, 2017**

(Period ended date)

**REGISTERED AND LISTED**

(Secondary License Type and File Number)

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-Q

### QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended .....: **September 30, 2017**
2. Commission identification number.....: **AS094004462**
3. BIR Tax Identification No.....: **043-000-426-523-V**
4. Exact name of issuer as specified in its charter

**GLOBAL-ESTATE RESORTS, INC**

5. Province, country or other jurisdiction of incorporation or organization  
**Taguig City, Philippines**

6. Industry Classification Code:   (SEC Use Only)

7. Address of issuer's principal office  
**16/Falliance Global Tower, 36<sup>th</sup> St. cor. 11<sup>th</sup> Ave. Uptown Bonifacio, Taguig City**  
Postal Code: **1634**

8. Issuer's telephone number, including area code  
**Tel. No. (632) 328-4370 to 78**

9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each class	Number of shares of common stock outstanding and amount of debt outstanding
<b>Common stock</b>	<b>10,986,000,000</b>
<b>Loans payable</b>	<b>P 3,327,564,103</b>
<b>Bonds payable</b>	<b>P -</b>

11. Are any or all of the securities listed on a Stock Exchange?

Yes ☒ No ☐

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

**Philippine Stock Exchange (PSE)**

**Common stock**

12. Indicate by check mark whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes ☒ No ☐

- (b) has been subject to such filing requirements for the past ninety (90) days.

Yes ☒ No ☐

## PART I--FINANCIAL INFORMATION

### Item 1. Financial Statements.

Please refer to attached Annex A-1 for the Consolidated Statements of Financial Position as of September 30, 2017 and December 31, 2016; Annex A-2 for the Consolidated Statements of Comprehensive Income for the nine-month period ended September 30, 2017 and September 30, 2016; Annex A-3 for Consolidated Statements of Changes in Stockholders' Equity for the nine-month period ended September 30, 2017 and September 30, 2016; Annex A-4 for the Consolidated Statements of Cash Flows for the nine-month period ended September 30, 2017 and September 30, 2016 and Annex A-5 for the Aging of Receivables for the 3<sup>rd</sup> Quarter ended September 30, 2017.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Refer to attached Analysis of Operations.

## PART II--OTHER INFORMATION

Not Applicable.

### SIGNATURES

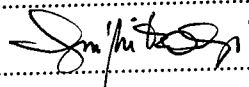
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Principal Financial/Accounting Officer/  
Controller/Authorized Representative:

Ms. Lailani V. Villanueva

Title : Chief Financial Officer

Signature :



Date :

Nov. 09, 2017

**GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES**  
**MANAGEMENT DISCUSSION AND ANALYSIS OF**  
**FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
**FOR THE 3rd QUARTER ENDED September 30, 2017**

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**REVIEW OF RESULTS OF OPERATIONS**

Consolidated revenues for the nine-month period ended September 30, 2017 amounted to Php4.90 billion with an increase of 10.94% compared to Php4.41 billion in September 30, 2016. The Company's real estate sales of Php3.39 billion came mainly from sale of lots in Newcoast Shophouse District, Newcoast Village in Malay, Aklan, Sta. Barbara Heights in Iloilo City, Twin Lakes Domaine Le Jardin and Lucerne at Domaine Le Jardin in Laurel, Batangas, Pahara at Manila Southwoods, Alabang West in Daang Hari, Las Piñas and sale of condominium units in Newcoast Oceanway Residences, Savoy Hotel, Belmont Hotel and Chancellor Hotel in Boracay, Holland Park in Manila Southwoods and The Vineyard Residences in Twin Lakes, Laurel Batangas. Rental Income as of September 30, 2017 amounted to Php83.4 million, an increase of 28.34% from Php65 million as of September 30, 2016 due to increase in occupancy rate of commercial space. Realized gross profit on prior years' real estate sales amounted to Php746.7 million as of September 30, 2017 with an increase of 145% compared to Php304.5 million as of September 30, 2016. Hotel revenues as of September 30, 2017 amounted to Php262.2 million, a decrease of 11.37% from Php295.9 million as of September 30, 2016 due to decrease in occupancy rate. Balance of revenues was contributed by finance and other income of Php319.6 million and Php94.9 million service income.

Cost and expenses posted an increase of Php126.8 million or 3.5% from Php3.7 billion in September 30, 2016 to Php3.8 billion as of September 30, 2017 mainly due to cost of real estate sales, operating expenses and income tax expense.

The company posted a Php1.11 billion Net Income or 47% increase for the nine-month period ended September 30, 2017, as compared to a Php754 million net income realized as of September 30, 2016, mainly due to realized gross profit on prior year sales.

Major Movements of Income Statement Accounts are as follows:

- 28% Increase in Rental income - mainly due to increase in occupancy of leasable area
- 11% Decrease in Hotel revenues - due to decrease in hotel occupancy rate.
- 145% Increase in Realized gross profit on prior years' real estate sales – due to increase in percentage of completion of on-going projects
- 28% Increase in Service income - due to increase in income from golf course maintenance
- 9% Increase in Finance and other income - due to increase in realized interest income from amortization of installment contract receivables and increase in other income.
- 23% Increase in Cost of real estate sales - due to increase in project development cost of sales recognized for the period.
- 32% Increase in Cost of services – due to increase in service income

- 14% Decrease in Cost of hotel operations – due to decrease in hotel revenues
- 56% Decrease in Deferred gross profit on real estate sales – mainly due to higher percentage of completion of projects which recognized sales for the period.
- 26% Increase in Operating expenses – mainly due to increase in commission expenses and other administrative expenses.
- 11% Increase in Finance cost and other charges – mainly due to increase in interest and other charges.
- 33% Increase in Income tax expense – due to increase in taxable income

## **REVIEW OF FINANCIAL CONDITION**

The Group's financial position remained stable. Total assets as of September 30, 2017, Php45.5 billion compared to Php44.4 billion as of December 31, 2016, posted an increase of Php1.1 billion.

Cash and cash equivalents decreased by 57% mainly due to payment to contractors/suppliers and payment of Interest-bearing loans and borrowings, from P3.1 billion in December 31, 2016 to P1.4 billion in September 30, 2017. Trade and other receivables increased by 18% due to installment sales booked for the period, from Php7.8 billion in December 2016 to Php9.2 billion in September 2017. Advances to real estate property owners increased by 12%, from Php1.05 billion as of December 2016 to Php1.18 billion as of September 2017 due to advances made to real estate property owners in relation to a joint venture agreement. Investment properties increased by 36%, from Php3.1 billion in December 2016 to Php4.2 billion in September 2017, due to additional construction cost of buildings intended for lease.

Interest bearing loans and borrowings decreased from Php3.9 billion as of December 2016 to Php3.3 billion as of September 2017 due to partial payment of interest bearing loan. Trade and other payables increased by 16%, from Php2.5 billion in December 2016 to Php2.9 billion as of September 2017, mainly due to increase in payables to contractors and suppliers. Customer's deposit decreased from Php1.7 billion in December 2016 to Php1.6 billion in September 2017 or 7% decrease due to recognized installment sales for the period. Advances from related parties increased by 70% due to additional advances from parent company. Reserve for property development decreased by 16% and Deferred income on real estate sales decreased by 14% due to increase in percentage of completion of on-going projects. Due to joint venture partners decreased by 19% due to payment to joint venture partners. Deferred Tax Liability also increased from Php543.3 million in December 2016 to Php901.4 million in September 2017. The 66% increase is due to increase in taxable temporary difference. Other non-current liabilities increased from Php1.06 billion as of December 2016 to Php1.24 billion as of September 2017 mainly due to additional accrual of interest on redeemable preferred shares and increase in retention payable.

Shareholders' Equity increased by Php1.3 billion from Php27.5 billion in December 2016 to Php28.8 billion in September 2017 mainly due to the income generated for the period.

Major movements of Balance Sheet Accounts are as follows:

- 57% Decrease in Cash and cash equivalents – mainly due to payment contractors/suppliers and payment of Interest-bearing loans and borrowings
- 18% Increase in Trade and other receivables – due to installment sales booked during the period.
- 12% Increase in Advances to real estate property owners – due to advances made to real estate property owners in relation to a joint venture agreement.
- 36% Increase in Investment properties – due to increase in construction cost of buildings intended for lease
- 15% Decrease in Interest bearing loans and borrowings – due to payment of principal of interest bearing loan.
- 16% Increase in Trade payables – mainly due to increase in payables to contractors and suppliers
- 7% Decrease in Customer's deposit – due to installment sales recognized for the period.
- 70% Increase in Advances from related parties – due to additional advances from parent company.
- 16% Decrease in Reserve for property development – due to increase in percentage of completion of on-going projects.
- 14% Decrease in Deferred income – due to increase in percentage of completion of on-going projects.
- 19% Decrease in Due to joint venture partners – due to payment to joint venture partners.
- 66% Increase in Deferred tax liability – due to increase in taxable temporary difference.
- 18% Increase in Other non-current liabilities – due to additional accrual of interest on redeemable preferred shares and increase in retention payable

## **KEY PERFORMANCE INDICATORS**

### **LIQUIDITY RATIOS**

	September 30, 2017	December 31, 2016
Current Ratio	3.49	3.31
Quick Ratio	0.87	0.94

*Current Ratio (Current Assets/Current Liabilities)*

Liquidity ratio measures a company's ability to pay short-term obligations.

*Quick Ratio (Cash and cash equivalents + Current Trade receivables/Current Liabilities)*

It measures a company's ability to meet its short-term obligations with its most liquid assets.



## LEVERAGE OR LONG-RANGE SOLVENCY RATIOS

	September 30, 2017	December 31, 2016
Debt to Total Assets	37%	38%
Equity to Total Assets	63%	62%
Debt to Equity	58%	61%
Asset to Equity	1.58	1.61

### *Debt to Total Assets*

It shows the creditors' contribution to the total resources of the organization.

### *Equity to Total Assets*

It shows the extent of owners' contribution to the total resources of the organization.

### *Debt to Equity*

It relates the exposure of the creditors to that of the owners.

### *Asset To Equity (Total Assets/ Total Owner's Equity)*

It measures the company's leverage.

## PROFITABILITY RATIOS

	September 30, 2017	September 30, 2016
Return on Equity	4.77%	2.99%
Return on Assets	2.49%	1.50%
Earnings per Share	₱ 0.1032	₱ 0.0607

### *Return on Equity (Net Income/ Equity Attributable to Parent Company's shareholders)*

It tests the productivity of the owners' investments.

### *Return on Assets (Net Income/ Total Assets)*

This ratio indicates how profitable a company is relative to its total assets.

### *Earnings per Share (EPS)*

It indicates the earnings for each of the common shares held.

## ACTIVITY RATIO

	September 30, 2017	September 30, 2016
Asset Turnover	7.44%	7.64%

*Asset Turnover (Sales/ Total Assets)*

It measures the level of capital investment relative to sales volume.

### INTEREST COVERAGE RATIO

	September 30, 2017	September 30, 2016
Interest Coverage	25.01	19.42

*Interest Coverage Ratio (Earnings before Interest and Income Tax/Interest Expense)*

It measures how easily a company can pay interest on an outstanding debt.

### OTHERS

As of the 3rd quarter ended September 30, 2017, there are no:

- Known trend, demands, commitments, events or uncertainties that would have a material impact on the liquidity of the Company.
- Material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the net sales/revenues/income from continuing operations.
- Significant elements of income or loss that did not arise from the Company's continuing operations.
- Causes for any material changes from period to period in one or more line items of the Company's financial operations.
- Seasonal aspects that had a material effect on the financial condition or results of the operations.
- Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;
- All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities of other persons created during the reporting period.

**GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE 3rd QUARTER ENDED September 30, 2017**

**1. CORPORATE INFORMATION**

Global-Estate Resorts, Inc. (the Company or GERI) was incorporated in the Philippines on May 18, 1994, primarily to engage in the horizontal development of residential subdivision lots, integrated residential, golf and other leisure-related properties, and vertical development of mixed-use towers. The Company also engages in land acquisitions and maintains an inventory of raw land for future development.

The registered office of the Company, which is also its principal place of business, is located at the 16<sup>th</sup> Floor Alliance Global Tower, 36<sup>th</sup> St. cor. 11<sup>th</sup> Ave. Uptown Bonifacio, Taguig City.

Megaworld Corporation (Megaworld or the parent company) made various acquisitions in 2014, including the purchase of all shares held by the Company's previous parent company, Alliance Global Group, Inc. (AGI or the ultimate parent company), as a result, Megaworld's effective ownership in GERI increased to 80.41%, making it the new parent company of GERI in 2014. In 2016 and 2015, the parent company acquired additional shares of GERI from the PSE, increasing its ownership interest to 82.31% and 82.24%, respectively.

Megaworld was incorporated in the Philippines primarily to engage in the development of large scale, mixed-use planned communities or townships that integrate residential, commercial, leisure and entertainment components. Megaworld is presently engaged in property-related activities such as product design, construction and property management. Megaworld's real estate portfolio includes residential condominium units, subdivision lots and townhouses, as well as office projects and retail spaces. The registered office of Megaworld, which is also its principal place of business, is located at the 30<sup>th</sup> Floor Alliance Global Tower, 36<sup>th</sup> St. cor. 11<sup>th</sup> Ave. Uptown Bonifacio, Taguig City.

AGI is a holding company with diversified investments in real estate, food and beverage, manufacturing, quick service restaurants and tourism-oriented businesses. AGI's registered office, which is also its primary place of business, is located at the 7<sup>th</sup> Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue, Quezon City.

The shares of stock of the Company, Megaworld and AGI are listed at the Philippine Stock Exchange (PSE).

The Company holds interests in the following subsidiaries and associates (collectively, together with the Company, hereinafter referred to as the Group):

Subsidiaries/Associates	Explanatory Notes	Percentage of Ownership		
		3Q2017	2016	2015
<b>Subsidiaries:</b>				
Fil-Estate Properties, Inc. (FEPI)		100%	100%	100%
Aklan Holdings Inc. (AHI)	(a)	100%	100%	100%
Blu Sky Airways, Inc. (BSAI)	(a)	100%	100%	100%

Subsidiaries/Associates	Explanatory Notes	Percentage of Ownership		
		3Q2017	2016	2015
<b>Subsidiaries:</b>				
Fil-Estate Subic Development Corp. (FESDC)	(a)	100%	100%	100%
Fil-Power Construction Equipment Leasing Corp. (FPCELC)	(a)	100%	100%	100%
Golden Sun Airways, Inc. (GSAI)	(a)	100%	100%	100%
La Compañía De Sta. Barbara, Inc. (LCSBI)	(a)	100%	100%	100%
MCX Corporation (MCX)	(a)	100%	100%	100%
Pioneer L-5 Realty Corp. (PLRC)	(a)	100%	100%	100%
Prime Airways, Inc. (PAI)	(a)	100%	100%	100%
Sto. Domingo Place Development Corp. (SDPDC)	(a)	100%	100%	100%
Fil-Power Concrete Blocks Corp. (FPCBC)	(a)	100%	100%	100%
Fil-Estate Industrial Park, Inc. (FEIPI)	(a)	79%	79%	79%
Sherwood Hills Development Inc. (SHDI)	(a)	55%	55%	55%
Fil-Estate Golf and Development, Inc. (FEGDI)		100%	100%	100%
Golforce, Inc. (Golforce)	(b)	100%	100%	100%
Southwoods Ecocentrum Corp. (SWEC)	(b)	60%	60%	56%
Philippine Aquatic Leisure Corp. (PALC)	(c)	60%	60%	56%
Fil-Estate Urban Development Corp. (FEUDC)		100%	100%	100%
Novo Sierra Holdings Corp. (NSHC)		100%	100%	100%
Megaworld Global-Estate, Inc. (MGEI)	(d)	60%	60%	60%
Twin Lakes Corp. (TLC)		51%	51%	51%
Oceanfront Properties, Inc. (OPI)		50%	50%	50%
Global Homes and Communities, Inc. (GHCI)		100%	100%	100%
Southwoods Mall, Inc. (SMI)		50.4%	50%	50%
<b>Associates:</b>				
Boracay Newcoast Hotel Group, Inc. (BNHGI)	(e)	30%	30%	45%
Fil-Estate Network, Inc. (FENI)		20%	20%	20%
Fil-Estate Sales, Inc. (FESI)		20%	20%	20%
Fil-Estate Realty and Sales Associates Inc. (FERSAI)		20%	20%	20%
Fil-Estate Realty Corp. (FERC)		20%	20%	20%
Nasugbu Properties, Inc. (NPI)		14%	14%	14%

Non-controlling interests (NCI) in 2016 and 2015 represent the interests not held by the Group in FEIPI, SHDI, SWEC, PALC, MGEI, TLC, OPI and SMI. In 2016 and 2015, additional NCI were recognized arising from Megaworld's subscription to SMI's unissued shares.

All subsidiaries and associates were incorporated in the Philippines, operate within the country and are engaged in businesses related to the main business of the Company.

**Explanatory notes:**

- Subsidiaries of FEPI; percentage ownership represents effective ownership of GERI.
- Subsidiaries of FEGDI; percentage ownership represents effective ownership of GERI. In 2015, GERI acquired from NCI a 4% direct ownership interest in SWEC (see Note 24.4), increasing GERI's effective ownership interest from 56% in 2014 to 60% in 2015.
- Subsidiary of SWEC.
- Subsidiary acquired in prior years primarily to market the Group's projects.
- In 2014, FEPI disposed 40% of its ownership interest over its wholly owned subsidiary, BNHGI. As at December 31, 2014, due to the disposal of shares, FEPI lost its control over BNHGI; hence, BNHGI was reclassified as an associate.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of Preparation of Consolidated Financial statements

#### *(a) Statement of Compliance with Philippine Financial Reporting Standards*

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

#### *(b) Presentation of Consolidated Financial Statements*

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expenses in a single consolidated statement of comprehensive income.

The Group presents a third consolidated statement of financial position at the beginning of the preceding period when it applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to third consolidated statement of financial position are not required to be disclosed.

#### *(c) Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine pesos, the Group's presentation and functional currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency, the currency of the primary economic environment in which the Group operates.

## 2.2 Adoption of New and Amended PFRS

### (a) *Effective in 2016 that are Relevant to the Group*

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2016:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Disclosure Initiative
PAS 16 and 38 (Amendments)	:	Property, Plant and Equipment, and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization
PAS 16 and 41 (Amendments)	:	Property, Plant and Equipment, and Agriculture – Bearer Plants
PAS 27 (Amendments)	:	Separate Financial Statements – Equity Method in Separate Financial Statements
PFRS 10, PFRS 12 and PAS 28 (Amendments)	:	Consolidated Financial Statements, Disclosure of Interests in Other Entities, and Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception
PFRS 11 (Amendments)	:	Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
Annual Improvements	:	Annual Improvements to PFRS (2012-2014 Cycle)

Discussed below and in the succeeding pages are the relevant information about these amendments and improvements.

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure Initiative*. The amendments encourage entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendments clarify that an entity's share in other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

- (ii) PAS 16 (Amendments), *Property, Plant and Equipment*, and PAS 38 (Amendments), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization*. The amendments in PAS 16 clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendments to PAS 38 introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendments also provide guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.
- (iii) PAS 16 (Amendments), *Property, Plant and Equipment*, and PAS 41 (Amendments), *Agriculture – Bearer Plants*. The amendments define a bearer plant as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. On this basis, bearer plant is now included within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and to be measured after initial recognition at cost or revaluation basis in accordance with PAS 16. The amendments further clarify that produce growing on bearer plants remains within the scope of PAS 41.
- (iv) PAS 27 (Amendments), *Separate Financial Statements – Equity Method in Separate Financial Statements*. These amendments introduce a third option which permits an entity to account for its investments in subsidiaries, joint ventures and associates under the equity method in its separate financial statements in addition to the current options of accounting those investments at cost or in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*.
- (v) PFRS 10 (Amendments), *Consolidated Financial Statements*, PFRS 12 (Amendments), *Disclosure of Interests in Other Entities*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception*. These amendments address the concerns that have arisen in the context of applying the consolidation exception for investment entities. They clarify which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of PFRS 10 and clarify whether the exemption to present consolidated financial statements, set out in paragraph 4 of PFRS 10, is available to a parent entity that is a subsidiary of an investment entity. These amendments also permit a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.

(vi) PFRS 11 (Amendments), *Joint Agreements – Accounting for Acquisitions of Interests in Joint Operations* (effective from January 1, 2016). These amendments require the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in PFRS 3, *Business Combinations*, to apply all accounting principles and disclosure requirements on business combinations under PFRS 3 and other PFRSs, except for those principles that conflict with the guidance in PFRS 11.

(vii) Annual Improvements to PFRS (2012-2014 Cycle). Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify the existing requirements:

- PAS 19 (Amendments), *Employee Benefits – Discount Rate: Regional Market Issue*. The amendments clarify that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.
- PFRS 7 (Amendments), *Financial Instruments: Disclosures – Servicing Contracts*. The amendments provide additional guidance to help entities identify the circumstances under which a contract to “service” financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

(b) *Effective in 2016 that are not Relevant to the Group*

The following new PFRS, amendments and annual improvements to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2016 but are not relevant to the Group's consolidated financial statements:

PFRS 14	: Regulatory Deferral Accounts Disclosure Initiative
Annual Improvements to PFRS (2012-2014 Cycle)	
PFRS 5 (Amendments)	: Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal
PFRS 7 (Amendments)	: Financial Instruments: Disclosures – Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements
PAS 34 (Amendments)	: Interim Financial Reporting – Disclosure of Information “Elsewhere in the Interim Financial Report”



(c) *Effective Subsequent to 2016 but not Adopted Early*

There are new PFRS and amendments to existing standards effective for annual periods subsequent to 2016, which are adopted by the FRSC. Management will adopt the relevant pronouncements shown in the next page in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

- (i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative* (effective from January 1, 2017). The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.
- (ii) PFRS 2 (Amendments), *Share-based Payment – Classification and Measurement of Share-based Payment Transactions* (effective from January 1, 2018). The amendments contain three changes covering the following matters: the accounting for the effects of vesting conditions on the measurement of a cash-settled share-based payment; the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and, the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.
- (iii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:
  - three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
  - an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,
  - a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Management is currently assessing the impact of PFRS 9 (2014) on the financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

- (iv) PFRS 15, *Revenue from Contract with Customers* (effective from January 1, 2018) – This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*, effective January 1, 2018.

This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Relative to the adoption of PFRS 15 in the Philippines, the FRSC also approved the issuance of Philippine Interpretations Committee Question & Answer No. 2016-04, *Application of PFRS 15, Revenue from "Contracts with Customers," on Sale of Residential Properties under Pre-completion Contracts*, which provides that sales of residential properties under pre-completion stage can be recognized over time until completion of construction.

Management is currently assessing the impact of this standard on the Group's consolidated financial statements.

- (v) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right of use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for similar to a financial liability using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures. Management is currently assessing the impact of this new standard on the Group's consolidated financial statements.

- (vi) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

### **2.3 Basis of Consolidation**

The Group's consolidated financial statements comprise the accounts of the Company, and its subsidiaries as enumerated in the Note 1, after the elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income,

expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

Financial statements of entities in the Group that are prepared as of a date different from that of the date of these consolidated financial statements were adjusted to recognize the effects of significant transactions or events that occur between that date of their reporting period and the date of these consolidated financial statements. Adjustments are also made to bring into line any dissimilar accounting policies that may exist.

The Company accounts for its investments in subsidiaries, associates, interests in joint operations and transactions with NCI as follows:

*(a) Investments in Subsidiaries*

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Company obtains control.

The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any NCI in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any NCI in the acquiree either at fair value or at the NCI's proportionate share of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any NCI in the acquiree and the acquisition date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference (negative goodwill) is recognized directly as gain in profit or loss (see also Note 2.11).

*(b) Investments in Associates*

Associates are those entities over which the Group is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investments in associates are also subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Company's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Company's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Equity Share in Net Losses of Associates account in the consolidated statement of comprehensive income.

Impairment loss is provided when there is an objective evidence that the investment in an associate will not be recovered (see Note 2.18).

Changes resulting from other comprehensive income of the associates or items that have been directly recognized in the associate's equity, for example, resulting from the associate's accounting for available-for-sale (AFS) financial assets, are recognized in other comprehensive income or equity of the Group, as applicable. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments in behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits exceeded the accumulated share of losses that has previously not been recognized.

Distributions received from the associates, if any, are accounted for as a reduction of the carrying value of the investment.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

*(c) Interests in Joint Operations*

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint control arises from a contractually agreed sharing of control in an arrangement, which exist only when decisions about the relevant

activities require unanimous consent of the parties sharing control. For interests in joint operations, the Group recognized in its consolidated financial statements its assets including its share of any assets held jointly; its liabilities including its share of any liabilities incurred jointly; its revenue from sale of its share of the output arising from the joint operation; its expenses including its share of any expenses incurred jointly; and its share in the income from the sale of goods or services by the joint operation. The amounts of these related accounts are presented as part of the regular asset and liability accounts and income and expense accounts of the Group and are measured and recognized in accordance with the relevant financial reporting standards.

No adjustment and consolidation procedures are required for the assets, liabilities, income and expenses of the joint operation that are recognized in the separate financial statements of the joint operators.

*(d) Transactions with NCI*

The Group's transactions with NCI that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to NCI result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

## **2.4 Financial Assets**

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

*(a) Classification and Measurement of Financial Assets*

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and AFS financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs related to it are recognized in profit or loss. A more detailed description of the relevant financial assets is as follows:

(i) *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented in the consolidated statements of financial position as Cash and Cash Equivalents, Trade and Other Receivables (except for Advances to raw landowners), Advances to Related Parties and Refundable deposits (included as part of Prepayments and Other Current Assets and Other Non-current Assets). Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

(ii) *AFS Financial Assets*

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are classified as non-current assets in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period. The Group's AFS financial assets include proprietary golf club membership shares and are presented as part of Others under the Other Non-current Assets account in the consolidated statement of financial position.

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences in monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is

presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

*(b) Impairment of Financial Assets*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The Group recognizes impairment loss based on the category of financial assets as follows:

*(i) Carried at Amortized Cost – Loans and Receivables*

If there is objective evidence that an impairment loss on loans and receivables carried at cost has been incurred, the amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in profit or loss.

*(ii) Carried at Fair Value – AFS Financial Assets*

When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from Revaluation Reserves to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.



*(c) Items of Income and Expense Related to Financial Assets*

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance and Other Income or Finance Costs and Other Charges account in the consolidated statement of comprehensive income.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

*(d) Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

## **2.5 Real Estate Transactions**

Acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title of the property to the Group, are charged to the Land for Future Development account. These costs are reclassified to Property Development Costs account when the development of the property starts. Related property development costs are then accumulated in this account. Borrowing costs on certain loans incurred during the development of the real estate properties are also capitalized by the Group as part of Property Development Costs or Real Estate, Golf and Resort Shares for Sale account (see Note 2.21). Once a revenue transaction occurred, on a per project basis, up to the stage the unit is sold, the related property development costs are reclassified to Real Estate, Golf and Resort Shares for Sale account.

The cost of real estate property sold before completion of the development, if any, is determined based on the actual costs incurred to date plus estimated costs to complete the development of the property. The estimated expenditures for the development of sold real estate property, as determined by the project engineers, are charged to the Cost of Real Estate Sales presented in the consolidated statement of comprehensive income with a corresponding credit to Reserve for Property Development account, a liability account.

Costs of properties and projects classified under Land for Future Development, Property Development Costs and Real Estate, Golf and Resort Shares for Sale are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from a real estate project is charged to operations during the period in which the loss is determined.

Revenue and cost relative to forfeited or back-out sales are reversed in the current year as they occur.

## **2.6 Prepayments and Other Current Assets**

Prepayments and other current assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

## **2.7 Property and Equipment**

Property and equipment, except land, are carried at acquisition or construction cost less subsequent depreciation, amortization and impairment losses, if any. As no finite useful life for land can be determined, the related carrying amount are not depreciated. Land is stated at cost less any impairment losses.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expenses as incurred.

Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Building	50 years
Building and office improvements	5-10 years
Transportation and other equipment	5 years
Office furniture, fixtures and equipment	3-5 years

The residual values, estimated useful lives and method of depreciation of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.18).

An item of property and equipment, including the related accumulated depreciation, amortization and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net

disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

## **2.8 Investment Property**

Investment property consists of parcels of land and buildings held for lease. Buildings are carried at cost less accumulated depreciation and any impairment losses. Land is stated at cost less any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on a straight-line basis over the estimated useful life of the assets as follows:

Land development and improvements	20 years
Building and improvements	10-50 years

The residual values, estimated useful lives and method of depreciation of investment property are reviewed and adjusted, if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount (see Note 2.18).

Transfers to, or from, investment property shall be made when and only when there is a change in use or purpose for such property.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

## **2.9 Development Rights**

Development rights are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. Capitalized costs are amortized on a straight-line basis over the estimated useful life as the life of this intangible asset is considered finite. In addition, development rights are subject to impairment testing as described in Note 2.18.

Development rights, presented as part of the Other Non-current Assets account, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the item is derecognized.

## **2.10 Financial Liabilities**

Financial liabilities, which include Interest-bearing Loans, Trade and Other Payables (except tax-related liabilities), Advances from Related Parties, Due to Joint Venture Partners, Redeemable Preferred Shares and Other Non-current Liabilities account (except Advance rental), are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges, if any, incurred on financial liability are recognized as an expense in profit or loss under the caption Finance Costs and Other Charges in the consolidated statement of comprehensive income.

Interest-bearing loans are raised for support of long-term funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and Other Payables, Advances from Related Parties, Due to Joint Venture Partners and Other Non-current Liabilities are initially recognized at their fair values and subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments.

Preferred shares, which carry a mandatory coupon or are redeemable on specific date or at the option of the shareholder, are classified as financial liabilities and presented as a separate line item in the consolidated statement of financial position as Redeemable Preferred Shares.

Dividend distributions to shareholders, if any, are recognized as financial liabilities when the dividends are approved by the BOD. The dividends on the redeemable preferred shares are recognized in the consolidated statement of comprehensive income as interest expense on an amortized cost basis using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

## **2.11 Business Combination**

Business acquisitions are accounted for using the acquisition method of accounting [see Note 2.3(a)].

Goodwill, if any, represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill, if any, is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Negative goodwill, which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost, is charged directly to profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, Provisions, Contingent Liabilities and Contingent Assets, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

## **2.12 Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's BOD - its chief operating decision-maker. The BOD is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 4, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8 are the same as those used in its consolidated financial statements, except that the following are not included in arriving at the operating profit of the operating segments:

- post-employment benefit expenses;
- expenses relating to share-based payments;

- research costs relating to new business activities; and,
- revenue, costs and fair value gains from investment property.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

### **2.13 Provisions and Contingencies**

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

### **2.14 Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when the Group currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on a future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

## **2.15 Revenue and Expense Recognition**

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for real properties sold and services rendered, excluding any applicable value-added tax (VAT).

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that future economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

- (a) *Real estate sales* – For financial reporting purposes, revenues from transactions covering sales of real estate are recognized under the percentage-of-completion method. Under this method, realization of gross profit is recognized by reference to the stage of development of the properties, *i.e.*, revenue is recognized in the period in which the work is performed. The unrealized gross profit on a period's sales is presented as Deferred Gross Profit on Real Estate Sales in the consolidated statement of comprehensive income; the cumulative unrealized gross profit as of the end of the year is shown as Deferred Income on Real Estate Sales in the consolidated statement of financial position.

The sale is recognized when a certain percentage of the total contract price has already been collected. If the transaction does not yet qualify as sale, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of sale, payments received from buyer are initially recorded as part of Customers' Deposits account in the consolidated statement of financial position.

Revenues on sales of undeveloped land and golf and resort shares for sale, on the other hand, are recognized using the full accrual method. Under the full accrual method, revenue is recognized when the risks and rewards of ownership in the undeveloped land and golf and resort shares have passed to the buyer and the amount of revenue can be measured reliably.

Revenues and costs relative to forfeited or back out sales are reversed in the current year as they occur.

Any adjustments relative to previous periods' sales are recorded in the current period as they occur.

For tax reporting purposes, a modified basis of computing the taxable income for the period based on collections from sales is used by the Group.

- (b) *Service income* – Revenue is recognized when the performance of mutually agreed tasks has been rendered.
- (c) *Rental income and hotel operations* – Revenue is recognized when the performance of contractually agreed tasks has been substantially rendered. Rental income is recognized on a straight-line basis over the lease term (see Note 2.16). Advance rentals received are recorded as deferred rental income and are taxable on the period received. For tax purposes, rental income is recognized based on the contractual terms of the lease.

- (d) *Interest income* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.
- (e) *Dividends* – Revenue is recorded when the Group's right to receive the payment is established.

Cost of real estate sales before completion of the projects include the acquisition cost of the land, development costs incurred to date, applicable borrowing costs (see Note 2.21) and estimated costs to complete the project, determined based on estimates made by the project engineers on the stage of completion of the real estate project (see Note 2.5).

Cost and expenses and other costs (other than costs of real estate sold) are recognized in profit or loss upon utilization of the services or goods or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.21).

## **2.16 Operating Leases**

The Group accounts for its leases as follows:

### ***(a) Group as Lessee***

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

### ***(b) Group as Lessor***

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term (see Note 2.15).

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

## **2.17 Foreign Currency Transactions and Translation**

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income as part of income or loss from operations.



## **2.18 Impairment of Non-financial Assets**

The Group's Investments in Associates, Investment Property, Property and Equipment, Development rights and other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

## **2.19 Employee Benefits**

The Group's employee benefits are recognized and measured as follows:

### ***(a) Post-employment Defined Benefit Plan***

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rate of zero coupon government bonds as published by Philippine Dealing and Exchange Corporation, that is denominated in the currency in which the benefits will be paid and that has terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest), if any, are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs and Other Charges or Finance and Other Income account in the consolidated statement of comprehensive income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

*(b) Termination Benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

*(c) Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of each reporting period. They are included in the Trade and Other Payables account of the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

## **2.20 Share-based Employee Remuneration**

The Company grants share options to key executive officers eligible under a stock option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions), if any. The share-based remuneration is recognized as an expense in profit or loss with a corresponding credit to retained earnings.

The expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number that ultimately vests on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options are ultimately not exercised.

Upon exercise of share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as additional paid-in capital (APIC).

## **2.21 Borrowing Costs**

For financial reporting purposes, borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the Property Development Costs or Real Estate, Golf and Resort Shares for Sale account (see Note 2.5). The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete. For income tax purposes, all interest and other borrowing costs are treated as deductible expenses in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets, if any, is deducted from the borrowing costs eligible for capitalization.

## **2.22 Related Party Transactions and Relationships**

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group;

(b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

## **2.23 Income Taxes**

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the reporting period. These are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

## **2.24 Equity**

Capital stock represents the nominal value of shares that have been issued.

APIC represents premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related income tax benefits.

Revaluation reserves arise from the changes in fair value of the Group's AFS financial assets and remeasurements on retirement benefit obligation, net of applicable taxes.

Retained earnings includes all current and prior period results of operations as reported in the profit or loss section of the consolidated statements of comprehensive income and share-based employee remuneration, reduced by the amounts of dividends declared, if any.

Non-controlling interests represent the portion of the net assets and profit or loss not attributable to the Company's shareholders which are presented separately in the Group's consolidated statement of comprehensive income and within the equity in the Group's

consolidated statement of financial position and consolidated statement of changes in equity.

### **2.25 Basic and Diluted Earnings per Share**

Basic earnings per share (EPS) is computed by dividing consolidated net profit by the weighted average number of common shares issued and outstanding during the period, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of common shares outstanding to assume conversion of potentially dilutive shares. Currently, the Group's potentially dilutive shares consist only of share options.

### **2.26 Events after the End of the Reporting Period**

Any post-year-end event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

## **3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

### **3.1 Critical Management Judgments in Applying Accounting Policies**

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

#### ***(a) Revenue Recognition***

The Group uses judgement in evaluating the probability of collection of contract price on real estate sales as a criterion for revenue recognition. The Group uses historical payment pattern of customers in establishing a percentage of collection threshold over which the Group determines that collection of total contract price is reasonably assured.

#### ***(b) Distinction among Investment Property, Owner-occupied Properties and Land for Future Development***

The Group determines whether an asset qualifies as an item of investment property, owner-occupied property or land for future development. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the

operations of the Group or for administrative purposes while land for future development are properties intended solely for future development.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

(c) *Determination of Significant Influence over Entities in which the Group Holds Less than 20% Ownership*

The Group determines whether significant influence exists over an investee company over which the Group holds less than 20% of the investee's capital stock. The Group considers the ability to influence the operating and financial policies of the investee, representation on the board of directors of the investee and routine participation in management decisions in making its judgment. Based on management's judgment, the Group has significant influence over these investee companies.

(d) *Consolidation of Entities in which the Company Holds 50% Ownership or Less*

Management considers that the Company has de facto control over OPI and SMI even though it does not hold more than 50% of the ordinary shares and voting rights of these subsidiaries due to the factors discussed below.

The Company holds 50% equity interest over OPI and SMI and has: (1) the ability to direct the relevant activities of the subsidiaries; (2) the rights to variable returns from its involvement with the subsidiaries; and, (3) the ability to use its power to affect its returns from its involvement with the subsidiaries. Based on management's judgment, the Company has control over OPI and SMI; hence, the said subsidiaries were consolidated in the financial statements of the Group.

(e) *Distinction between Operating and Finance Leases*

Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

(f) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and contingencies are discussed in Note 2.13.

### 3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) *Business Combinations*

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period.

(b) *Impairment of Trade and Other Receivables and Advances to Related Parties*

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Group's relationship with the counterparties, the counterparties' current credit status based on known market forces, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying value of trade and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 6. Based on the evaluation of management, there are no impairment losses required to be recognized on the Group's advances to related parties.

(c) *Determining Net Realizable Value of Real Estate, Golf and Resort Shares For Sale, Property Development Costs and Land For Future Development*

In determining the net realizable value of real estate, golf and resort shares for sale, property development costs and land for future development, management takes into account the most reliable evidence available at the times the estimates are made. The future realization of the carrying amounts of these assets is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation and uncertainty and may cause significant adjustments to the Group's real estate, golf and resort shares for sale, property development costs and land for future development within the next reporting period.

Considering the Group's pricing policy, the net realizable values of real estate, golf and resort shares for sale, property development costs and land for future development are higher than their related carrying values as of the end of the reporting periods.

*(d) Fair Value of Stock Options*

The Company estimates the fair value of the executive stock option by applying an option valuation model, taking into account the terms and conditions on which the executive stock option were granted. The estimates and assumptions used include, among other things, the option's time of expiration, applicable risk-free interest rate, expected dividend yield, volatility of the Company's share price and fair value of the Company's common shares. Changes in these factors can affect the fair value of stock options at grant date.

*(e) Estimating Useful Lives of Investment Property, Property and Equipment and Development Rights*

The Group estimates the useful lives of investment property, property and equipment and development rights based on the period over which the assets are expected to be available for use. The estimated useful lives of investment property, property and equipment and development right are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

Based on management's assessment as at September 30, 2017 and December 31, 2016, there are no changes in the estimated useful lives of those assets as of the end of the reporting periods. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

*(f) Fair Value Measurement of Investment Property*

Investment property is measured using the cost model. The fair value is determined by the Group using the discounted cash flows valuation technique since the information on current or recent prices of assumptions underlying the discounted cash flow approach of investment property is not available. The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

*(g) Determining Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as at September 30, 2017 and December 31, 2016 will be fully utilized within the prescribed period of availment.



*(h) Impairment of Non-financial Assets*

PFRS requires that an impairment review be performed when certain impairment indicators are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.18. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment losses were recognized on investments in associates, investment property, property and equipment, development right and other non-financial assets for the nine-month period ended September 30, 2017 and year ended December 31, 2016.

*(i) Valuation of Post-employment Defined Benefit Obligation*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the retirement benefit obligation in the next reporting period.

*(j) Revenue Recognition Using the Percentage-of-Completion Method*

The Group uses the percentage-of-completion method in accounting for its realized gross profit on real estate sales. The use of the percentage-of-completion method requires the Group to estimate the portion completed using relevant information such as costs incurred to date as a proportion of the total budgeted cost of the project and estimates by engineers and other experts. There were no changes in the assumptions or basis for estimation during the period.

*(k) Basis for Revenue Recognition Benchmark*

The Group recognizes its revenue from sale of real estate in full when 25% or more of the total contract price is received [see Note 2.15(a)]. Management believes that the revenue recognition criterion on percentage of collection is appropriate based on the Group's collection history from customers and number of back-out sales in prior years. Buyer's interest in the property is considered to have vested when the payment of at least 25% of the contract price has been received from the buyer and the Group has ascertained the buyer's commitment to complete the payment of the total contract price.

**4. Segment revenue and segment results for business segments or geographical segments, whichever is the enterprise's primary basis of segment reporting.**

The following table present revenue and income information for the 3rd quarter ended September 30, 2017 and 2016.

**September 30, 2017***(Amount in thousands)*

	Sales of Real Estate	Hotel Operations	Service and Rental	Total
Revenue	₱3,385,746	₱262,236	₱178,345	₱3,826,327
Cost	1,773,934	153,767	72,793	2,000,494
Gross profit	1,611,812	108,469	105,552	1,825,833
Realized gross profit – net	746,658	-	-	746,658
<b>Realized gross profit</b>	<b>₱2,358,470</b>	<b>₱108,469</b>	<b>₱105,552</b>	<b>₱2,572,491</b>

**September 30, 2016***(Amount in thousands)*

	Sales of Real Estate	Hotel Operations	Service and Rental	Total
Revenue	₱3,376,823	₱295,881	₱139,081	₱3,811,785
Cost	1,441,149	178,120	54,943	1,674,212
Gross profit	1,935,674	117,761	84,138	2,137,573
Realized gross profit – net	304,504	-	-	304,504
<b>Realized gross profit</b>	<b>₱2,240,178</b>	<b>₱117,761</b>	<b>₱84,138</b>	<b>₱2,442,077</b>

5. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the period.  
There have been no material events that happened subsequent to the interim period that need disclosure herein.
6. Effect of changes in the composition of the enterprise during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operation.  
Not applicable.
7. Changes in contingent liabilities or contingent assets since the last annual balance sheet date  
The Company is a party to certain lawsuits or claims arising from the ordinary course of business and from several of its joint venture agreements. The Group's management and legal counsels believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements, and thus, no provision has been made for these contingent liabilities.
8. Existence of material contingencies and any other events or transactions that are material to an understanding of current interim period.  
There have been no material contingencies and any other events or transactions that are material to an understanding of current interim period.

9. Any events that will trigger direct or contingent financial obligations that is material to the company, including any default or acceleration of an obligation.  
There have been no events that will trigger direct or contingent financial obligations that is material to the company, including any default or acceleration of an obligation.
10. All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.  
There have been no material off-balance sheet transactions and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
11. Dividends paid separately for ordinary shares and other shares  
Not applicable.
12. Seasonality or cyclicalities of interim operations  
Not applicable
13. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size and incidence.  
Not applicable
14. Issuances, repurchases, and repayments of debt and equity securities  
There have been no issuance, repurchase and repayment of debt and equity securities for the period.

## **RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's financial instruments comprise of cash, short-term bank deposits and investments.

Exposures to credit and liquidity risk arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

1. To identify and monitor such risks on an ongoing basis;
2. To minimize and mitigate such risks; and
3. To provide a degree of certainty about costs.

### **Credit Risk**

The investment of the Group's cash resources is managed so as to minimize risk while seeking to enhance yield. The Group's holding of cash and marketable securities expose the Group to credit risk of the counterparty if the counterparty is unwilling or unable to fulfill its obligations, and the Group consequently suffers financial loss. Credit risk management involves entering into financial instruments only with counterparties with acceptable credit standing. The treasury policy sets aggregate credit limits of any one counterparty and annually reviews the exposure limits and credit ratings of the counterparties.

The Group has credit management policies in place to ensure that rental contracts are entered into with customers who have sufficient financial capacity and good credit history.

Sales to buyers of real estate which are collectible on installment are relatively risk-free. Sales to real estate buyers are documented under Contract to Sell agreements which allow cancellation of the sale and forfeiture of payments made in the event of default by buyers. Transfer of title is made to buyers only upon full payment of the account.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

### **Liquidity Risk**

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week, as well as on the basis of a rolling 30-day projection. Long-term needs for a six-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

### **Interest Rate Risk**

The Group has no significant exposure to interest rate risk as some financial assets and liabilities are fixed-interest bearing.

### **Foreign Exchange Risk**

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. The currency exchange rates arise from Group's United States (U.S.) dollar-denominated cash and cash equivalents.

Management assessed that the foreign currency risks related to these U.S. dollar-denominated cash and cash equivalents to be not material.

## **CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES**

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. Capital for the reporting periods under review is summarized as follows:

(Figures in thousands)

	<u>September 2017</u>	<u>December 2016</u>
Total Liabilities	P 16,663,755	P 16,884,328
Total Equity	<u>28,814,358</u>	<u>27,501,028</u>
Debt-to-equity ratio	<u>0.58:1</u>	<u>0.61:1</u>

### **CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In determining the fair value of its financial assets and liabilities, the Company takes into account its current circumstances and the costs that would be incurred to exchange or settle the underlying financial assets and liabilities.

The carrying amounts and fair value of the categories of financial assets and liabilities presented in the consolidated financial statement of financial position are shown below:

*Figures in thousands*

	<u>September 30, 2017</u>		<u>December 31, 2016</u>	
	<u>Carrying</u>	<u>Fair</u>	<u>Carrying</u>	<u>Fair</u>
	<u>Values</u>	<u>Values</u>	<u>Values</u>	<u>Values</u>
<b>Financial assets</b>				
Loans and receivables:				
Cash and cash equivalents	P 1,352,256	P 1,352,256	P 3,109,892	P 3,109,892
Trade and other receivables - net	8,958,872	8,958,872	7,618,760	7,618,760
Advances to related parties	1,002,563	1,002,563	1,007,420	1,007,420
Refundable deposits	<u>106,881</u>	<u>106,881</u>	<u>90,931</u>	<u>90,931</u>
	<u>P 11,420,572</u>	<u>P 11,420,572</u>	<u>P 11,827,003</u>	<u>P 11,827,003</u>
	<u>September 30, 2017</u>		<u>December 31, 2016</u>	
	<u>Carrying</u>	<u>Fair</u>	<u>Carrying</u>	<u>Fair</u>
	<u>Values</u>	<u>Values</u>	<u>Values</u>	<u>Values</u>
<b>Financial liabilities</b>				
Financial liabilities at amortized cost:				
Interest bearing loans and borrowings	P 3,327,564	P 3,327,564	P 3,927,083	P 3,927,083
Trade and other payables	2,432,186	2,432,186	1,913,250	1,913,250
Advances from related parties	894,363	894,363	525,335	525,335
Due to joint venture partners	380,514	380,514	471,058	471,058
Redeemable preferred shares	1,257,988	1,257,988	1,257,988	1,257,988
Accrued interest on preferred shares	<u>139,754</u>	<u>139,754</u>	<u>118,113</u>	<u>118,113</u>
	<u>P 8,432,369</u>	<u>P 8,432,369</u>	<u>P 8,857,757</u>	<u>P 8,857,757</u>

See notes to financial statements 2.4 and 2.10 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in page 41.

The Group does not actively engage in the trading of financial assets for speculative purposes.

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2017  
(Amount in Thousands)

Annex A-1

	Unaudited Sep-17	Audited Dec-16
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash equivalents	1,352,256	3,109,892
Trade and other receivables - net	5,285,012	4,758,710
Advances to related parties	1,002,563	1,007,420
Real estate, golf and resort shares for sale-net	13,618,905	13,213,637
Property Development Costs	2,099,718	2,080,874
Prepayments and other current assets	3,347,043	3,399,229
Total Current Assets	26,705,497	27,569,762
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables - net	3,883,076	3,030,882
Advances to real estate property owners	1,178,168	1,054,031
Land for future development	7,181,833	7,320,600
Investment in associates	1,030,720	1,030,732
Investment Properties - net	4,179,401	3,082,307
Property and equipment - net	936,300	920,326
Other non-current assets	383,118	376,716
Total Non-current Assets	18,772,616	16,815,594
<b>TOTAL ASSETS</b>	<b>45,478,113</b>	<b>44,385,356</b>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Interest bearing loans and borrowings	1,086,538	721,154
Trade and other payables	2,864,011	2,467,489
Customer's deposit	1,242,168	1,480,263
Advances from related parties	894,363	525,335
Reserve for property development	615,249	1,214,913
Deferred income on real estate sales	948,743	1,927,563
Total Current Liabilities	7,651,072	8,336,717
<b>NON-CURRENT LIABILITIES</b>		
Interest bearing loans and borrowings	2,241,026	3,205,929
Customer's deposit	367,964	251,369
Due to joint venture partners	380,514	471,058
Redeemable preferred shares	1,257,988	1,257,988
Reserve for property development	1,380,421	1,147,853
Deferred income on real estate sales	1,180,708	553,028
Deferred tax liabilities-net	901,361	543,266
Retirement benefit obligation	60,775	60,775
Other non-current liabilities	1,241,926	1,056,345
Total Non-current Liabilities	9,012,683	8,547,611
Total Liabilities	16,663,755	16,884,328
<b>EQUITY</b>		
Equity attributable to parent company's shareholder	23,784,911	22,636,895
Non-controlling interest	5,029,447	4,864,133
Total Equity	28,814,358	27,501,028
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>45,478,113</b>	<b>44,385,356</b>

**GLOBAL-ESTATE RESORT, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD 3Q2017 VS. 3Q2016**  
*(Amount in Thousands)*

**Annex A-2**

	Unaudited 3Q 2017		Unaudited 3Q 2016	
	Jul-Sep	Jan - Sep	Jul-Sep	Jan - Sep
<b>REVENUES</b>				
Real estate sales	1,255,848	3,385,746	1,253,415	3,376,823
Rental income	27,815	83,426	26,259	65,003
Hotel operations	75,346	262,236	91,765	295,881
Realized gross profit on prior year sale	256,487	746,658	70,088	304,504
Service income	32,449	94,919	21,366	74,078
Finance and other income	77,093	319,558	88,608	293,606
	<u>1,725,038</u>	<u>4,892,543</u>	<u>1,551,501</u>	<u>4,409,895</u>
<b>COST AND EXPENSES</b>				
Real estate sales	664,157	1,773,934	530,215	1,441,149
Cost of Services	23,550	72,793	8,648	54,943
Cost of hotel operations	28,778	153,767	57,887	178,120
Deferred gross profit on real estate sales	41,006	394,751	280,832	893,911
Operating expenses	266,545	782,206	189,445	620,795
Finance costs and other charges	26,667	83,991	23,608	75,590
Income tax expense	234,532	521,268	172,192	391,411
	<u>1,285,235</u>	<u>3,782,710</u>	<u>1,262,827</u>	<u>3,655,919</u>
<b>Net Profit (Loss)</b>	<b>439,803</b>	<b>1,109,833</b>	<b>288,674</b>	<b>753,976</b>
<b>Other Comprehensive Loss</b>				
Revaluation reserve	-	-	-	-
<b>Total Comprehensive Income (Loss)</b>	<b>439,803</b>	<b>1,109,833</b>	<b>288,674</b>	<b>753,976</b>
<b>Net profit (loss) attributable to:</b>				
Parent Company's shareholder	442,735	1,133,467	270,135	666,442
Non-controlling interest	(2,932)	(23,634)	18,539	87,534
	<u>439,803</u>	<u>1,109,833</u>	<u>288,674</u>	<u>753,976</u>
<b>Total Comprehensive Income(loss) attributable to:</b>				
Parent Company's shareholders	442,735	1,133,467	270,135	666,442
Non-controlling interest	(2,932)	(23,634)	18,539	87,534
	<u>439,803</u>	<u>1,109,833</u>	<u>288,674</u>	<u>753,976</u>
<b>Earnings per share</b>	<u><b>0.0400</b></u>	<u><b>0.1032</b></u>	<u><b>0.0246</b></u>	<u><b>0.0607</b></u>

**GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**Annex A -3**

*(Amount in Thousands)*

	<b>3rd quarter 2017</b>	<b>3rd quarter 2016</b>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY</b>		
<b>CAPITAL STOCK</b>	10,986,000	10,986,000
<b>ADDITIONAL PAID IN CAPITAL</b>	4,747,739	4,747,739
<b>DEPOSIT FOR FUTURE STOCK SUBSCRIPTION</b>		
<b>REVALUATION RESERVE</b>	6,917	8,288
<b>RETAINED EARNINGS</b>	8,044,255	6,583,750
	<u>23,784,911</u>	<u>22,325,777</u>
<b>MINORITY INTEREST</b>	5,029,447	4,771,841
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<u><u>28,814,358</u></u>	<u><u>27,097,618</u></u>



**GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOW**

*(Amounts in Thousands)*

**Annex A-4**

	<b>Sep-17</b>	<b>Sep-16</b>
Net Income before tax	1,631,101	1,145,387
Add(less)		
Interest expense	53,045	47,304
Amortization of deferred interest	14,886	14,886
Depreciation and amortization	87,168	80,720
Share-based employee compensation	14,548	13,007
Interest income	(29,229)	(32,356)
Equity in net (earnings) loss of associates and joint venture	11	8
<b>Operating Income(loss) before working capital changes</b>	<b>1,771,530</b>	<b>1,268,956</b>
Net Changes in Operating Assets and Liabilities		
Decrease(Increase) current and non current asset	(1,961,423)	(3,473,728)
(Decrease)Increase current and non current liabilities	(377,746)	1,508,113
Cash paid for income taxes	(98,145)	(17,848)
Interest paid	(27,358)	(19,419)
<b>Cash from(used in) Operating Activities</b>	<b>(693,142)</b>	<b>(733,926)</b>
<b>Cash from(used in) Investing Activities</b>	<b>(1,022,952)</b>	<b>(1,011,583)</b>
<b>Cash from (used in) Financing Activities</b>	<b>(41,542)</b>	<b>2,029,353</b>
<b>Net Increase (decrease) in cash and cash equivalent</b>	<b>(1,757,636)</b>	<b>283,844</b>
<b>Cash and cash equivalent at the beginning of the year</b>	<b>3,109,892</b>	<b>2,894,473</b>
<b>Cash and cash equivalent at the end of the year</b>	<b>1,352,256</b>	<b>3,178,317</b>

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES  
AGING OF ACCOUNTS RECEIVABLE

Annex A-5

AS OF SEPTEMBER 30, 2017

(Amounts in Thousands)

Aging of Accounts Receivable

Type of receivables:	TOTAL	CURRENT/NOT YET DUE	1 Month	2-3 Months	4-6 Months	7 Months to 1 Year
a. Trade/Other Receivable	9,168,088	8,758,501	212,752	120,399	48,102	28,334
Net Receivable	9,168,088					